

Office of Research and Demonstrations

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Longevity and Medicare Expenses

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Summary: More Americans are becoming senior citizens and are living longer when they do. The number of people aging into the Medicare program will have a larger effect on program outlays than beneficiaries' increased longevity, according to this new study conducted by HCFA's Office of Research and Demonstrations.

The study estimated how much Medicare would pay out over the lifetimes of senior citizens who became eligible for Medicare coverage in 1990 and those who will become beneficiaries in 2020. Spending for nursing home care was not included.

Results showed that estimated lifetime Medicare payments ranged from \$13,044 for beneficiaries who died at age 65, to \$56,094 for those who died at age 80, and \$65,633 for those who died at age 101 or over.

Total lifetime Medicare payments for those

enrolling in 1990 were estimated at \$112 billion, compared to \$210 billion for beneficiaries enrolling in 2020. Most of the difference in total payments was due to the rising number of people who are aging into Medicare.

The study also showed that the rate of yearly average payments decreased with age at death. As a result, average annual payments were considerably lower for beneficiaries who died at advanced ages. For example, annual payments for those who died at age 70 were estimated at \$6,457 (\$35,511 divided by 5.5 average years on Medicare), compared with annual payments of \$2,471 (\$63,015 divided by 25.5 years) for beneficiaries who died at 90.

This finding supports previous studies showing that the costs of medical treatment just before death decrease with age at death. In addition, older beneficiaries are generally healthy during most of the years they are covered by Medicare and incur relatively small medical costs before their final illness and end of life. However, Medicare payments before the final years are about the same for younger and older decedents.



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